

Joint Legislative Study Committee on Design- Build Contracting

Interim Report

December 1999

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**Joint Legislative Study Committee on Design-Build
Contracting**

Interim Report

DECEMBER 1999

MEMBERS

**Senator Keith Bee, Co-Chair
Senator John Huppenthal
Senator Elaine Richardson**

**Representative Jerry Overton, Co-Chair
Representative Ken Chevront
Representative Wes Marsh**

Joint Legislative Study Committee on Design-Build Contracting

Annual Report

Background

Laws 1996, Chapter 146 established the Joint Legislative Study Committee on Design-Build Contracting to study the design-build process, including: feasibility; cost-effectiveness; changes in the law; process liability issues; the applicability and availability of performance and payment bonds and insurance coverage for design; dispute resolution procedures; the status of each project employing the process; comparative advantages and disadvantages; whether and how it should be authorized on a continuing basis; and any other issues related to the process.

Laws 1996, Chapter 146 enabled the Arizona Department of Transportation (ADOT) to use the design-build contracting procedure for one transportation project in Maricopa County and one transportation project in Pima County. Statute also authorizes Maricopa County to utilize the design-build contracting procedure for one public works or public building project.

Laws 1998, Chapter 278 continued and expanded the pilot program to include: three additional projects to ADOT; two building projects to the Department of Administration; and one project each to Maricopa County, Pima County, Phoenix, Tucson and Mesa. The Legislature also specified that construction costs must be at least \$10 million in order to qualify as a design-build project and that a stipend be paid to unsuccessful bidders.

Laws 1999, Chapter 207 included the operation of a structure or facility in the definition of design-build contracting. Minimum population requirements for counties and cities were changed, allowing counties and cities with 280,000 persons or more to utilize the design-build pilot program for contracting and construction.

Committee Hearing

The Committee met on December 21, 1999, to discuss three issues related to the design-build contracting process:

1. Status of Current Design-Build Projects
2. Forecast of Future Design-Build Projects
3. 2000 Legislation

Current Design-Build Projects

The Committee was informed that ADOT's first project, the I-10/Cortaro Road interchange reconstruction, was completed four months ahead of the conventional design-bid-build process.

ADOT's second project, I-17 improvements is projected to cost \$75 million and to be completed September 2000. The project adds 7.5 miles of high occupancy vehicle (HOV) lanes, adds auxiliary lanes at interchanges, reconstructs and widens Camelback and Glendale Bridge and designs and installs freeway management system, lighting and signs. According to ADOT, design-build on the I-17 project will help serious congestion problems, increase capacity by 25-40%, accelerate completion by three years and save cost by combining projects and shortening time.

ADOT's third project converts the two-lane SR 68, Davis-Dam Kingman Highway into a four-lane divided highway from Bullhead City to Golden Valley. The projected cost of conversion is \$45 million, accelerating completion by three years.

ADOT also briefed the Committee on the status of the US 60, Superstition Freeway. The project extends general use, HOV and auxiliary lanes twelve miles. ADOT estimates a cost of \$254 million and 1 ½ years acceleration.

Maricopa County Department of Transportation presented an update on the status of the 51st Avenue Bridge over the Salt River Design-Build Project. The project began July 1999, and is scheduled for completion in July 2000. A total of \$5.4 million dollars has been spent on the project to date which is 42.5% of the \$12.8 million dollar budget.

Future Design-Build Projects

ADOT's possible future design-build projects:

- East Valley – Santan or Red Mountain Freeway
- Widen SR 51, Squaw Peak Freeway
- Phoenix-Tucson I-10 Corridor
- US 93 – Wikieup to I-40
- Yuma Area Service Highway

In addition, ADOT informed the Committee that the design-build projects on the state highway system require availability of funds within the Five Year Transportation Program.

The City of Phoenix presented an update on a future \$200 million water treatment plant located near Lake Pleasant, primarily to serve the northern growth area of the City.

The City of Phoenix indicated that the design-build process would produce 16% savings, over \$30 million, over the traditional method.

2000 Legislation

The Committee heard testimony on legislation that will be offered in the upcoming session. ADOT briefed the Committee on proposed legislation that would expand the design-build pilot program to add five more projects. The Arizona Consulting Engineers Association informed the Committee of legislation to be introduced to open up the design-build process to everyone, including cities, counties and state agencies.

ARIZONA STATE LEGISLATURE
Forty-fourth Legislature -- First Regular Session

JOINT LEGISLATIVE STUDY COMMITTEE ON DESIGN-BUILD CONTRACTING

Minutes of Meeting
Tuesday, December 21, 1999
Senate Hearing Room 3 -- 2:30 P.m.

Members Present

Representative Ken Chevront
Representative Wes Marsh
Representative Jerry Overton, Cochair

Members Absent

Senator John Huppenthal
Senator Elaine Richardson
Senator Keith Bee, Cochair

Staff

Nadine Berrett, Senate Transportation Committee Research Analyst

See attached sheet for other attendees.

(Tape 1, Side A)

Representative Overton called the meeting to order at 2:45 p.m., acknowledging the lack of a quorum and stating no formal action would be taken by the Committee.

Charge of the Committee

Representative Overton referred the Committee to the blue sheet handout entitled Joint Legislative Study Committee on Design-Build Contracting Committee Charge (see Attachment A).

Presentations

Jennifer Macdonald, Legislative Liaison, Arizona Department of Transportation (ADOT) presented slides briefing the Committee on the current design-build projects within ADOT (see Attachment B).

Representative Marsh stated he would like to see the Pima Freeway High Occupancy Vehicles (HOV) lanes included in the ADOT design-build projects. Ms. Macdonald stated ADOT is proposing legislation for the upcoming legislative session to expand the projects from five to ten.

Tom Buick, Chief Public Works Officer, Maricopa County Department of Transportation, stated the present ADOT projects are pilot projects and they would like to make design-build an integral part of the regular procurement process or, if that is not possible, they would like to be granted more pilot projects.

Representative Overton questioned whether the request for five more pilot projects would include the counties and the cities. Ms. Macdonald indicated they would only be ADOT projects, however, she indicated there would be another piece of legislation to address other projects.

Bruce Ward, County Traffic Engineer, Maricopa County, presented slides on the status report of the 51st Avenue Bridge over the Salt River Design-Build Project (see Attachment C).

Kent Hamm, Assistant County Engineer, Maricopa County, presented slides on the Outcomes of the Maricopa Department of Transportation's Design-Build Project (see Attachment D). He noted that the design-build project involves all parties so that problems are approached directly and everyone takes an interest in the solution, which results in minimal conflict. He noted the biggest benefit is the time savings in completing a project, as well as providing for many innovative ideas and safety improvements. He stated design-build has provided a host of ideas that save money and time in the construction process and carryover to future projects, which is the big payoff in terms of cost savings.

Mr. Hamm noted that issues of quality control and design details were solved up front, eliminating problems later in the construction process, which made for a much smoother project. He indicated the biggest benefits from the design-build process are the time, cost and quality improvements. He explained there are two key elements that contribute to those improvements: 1) the engineer, designer, construction manager, and everyone else involved in the project behave as if they were stakeholders in the project and not adversaries with a separate agenda; and 2) the selection process results in a superior project team because of the technical competitiveness of the various teams.

Mr. Hamm stated they are enthusiastic about the design-build process and would like to see it become a regular tool in the procurement process.

In response to Representative Overton, Mr. Buick stated ADOT has studied the 51st Avenue south to the Ahwatukee area for a truck route bypass in addition to a South Mountain bypass. He indicated they are also working closely with the Indian community to clear a significant amount of traffic from the St. Johns area, which is a safety problem and they anticipate moving traffic away from Laveen at the intersection of Baseline and 51st Avenue. He emphasized they have to build many partnerships before the project can become a reality. He said they are looking at the problem in a comprehensive way and they do not have any specific dates, however, there is a lot

of interest in resolving the traffic problems associated with the immediate bypass at South Mountain.

Janice Burnett, Executive Director, Arizona Consulting Engineers Association, informed the Committee that legislation will be offered in the upcoming session to open up the design-build process to everyone, including cities, counties and state agencies. She indicated the only opposition they have heard so far is from the heavy contractors. She added that the Arizona General Contractors are still concerned that small contractors will not get any work, however, the Association believes the small companies will team up. She stated they do not believe every client will use design-build on every project, however, it will allow them to use it when appropriate. She asked for the Committee's support.

Michael Gritzuk, Director, City of Phoenix Water Services Department, presented an update on a future water treatment plant located near Lake Pleasant, primarily to serve the northern growth area of the City of Phoenix. He indicated, if the facility were to be built in the design-bid-build method, it would cost approximately \$200 million. He stated they have since refined that cost estimate to \$120 million to \$200 million and said the reason for the range is they do not know how far into the future they will go with the treatment plant process itself.

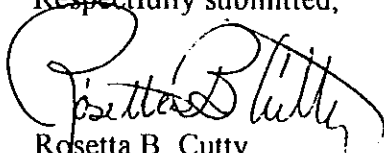
Mr. Gritzuk explained the City has created a multi-disciplined team of staff and consultants to study alternative project delivery methods and have concluded with a recommendation to the Mayor and City Council to proceed with the design-build-operate method. He stated the reason for this recommendation is that the City feels the combination of these three basic components from the beginning will result in the highest quality project conceivable, which will save substantial construction costs.

Mr. Gritzuk indicated there would be at least a 16% savings with the design-build-operate method over the traditional method which, in the case of the Lake Pleasant facility, would be a savings of over \$30 million and would result in a higher quality project. He stated a subcommittee of the City of Phoenix Council has approved the recommendation and it is now going to the full Council and Mayor for a final decision on January 12, 2000.

Mr. Gritzuk stated the City of Phoenix encourages additional legislation to allow methods like this to become available to the public sector.

Representative Overton stated at 3:20 p.m. that this "non-meeting" would be called to a close.

Respectfully submitted,



Rosetta B. Cutty
Committee Secretary

(Tapes and attachments on file in the Secretary of the Senate's Office.)

Jt. Legis. Study Comm on Design-Build Contracting

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